

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/2017

BSB 3314 – SEMINAR IN BANKING
(All Sections / Groups)

7 March 2017
9.00 a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 4 pages (including front page) with **FOUR (4)** Questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet provided.

Question 1

Maybank Bank has just submitted its Report of Condition and Report of Income to its principal supervisory agency. The bank reported net income before taxes and securities transactions of RM29 million and taxes RM8 million. If its total operating revenues were RM650 million, its total assets RM1.75 billion, and its equity capital RM170 million, determine the following for Maybank:

- a) Tax management efficiency ratio. (3 marks)
- b) Expense control efficiency ratio. (3 marks)
- c) Asset management efficiency ratio. (3 marks)
- d) Funds management efficiency ratio. (3 marks)
- e) Return on Equity (ROE). (3 marks)
- f) Suppose Maybank experienced a 20 percent rise in net before-tax income, with its tax obligation, operating revenues, assets, and equity unchanged. What would happen to ROE and its components? (10 marks)

(Total: 25 marks)

Question 2

a) In order to help fund a loan request of RM10 million for one year from one of its best customers, CIMB Bank sold negotiable Certificate of Deposits (CDs) to its business customers in the amount of RM6 million at a promised annual yield of 3.50 percent and borrowed RM4 million in the Federal funds market from other banks at today's prevailing interest rate of 3.25 percent. Credit investigation and recordkeeping costs to process this loan application were an estimated RM25,000. The Credit Analysis Division recommends a minimal 1 percent risk premium on this loan and a minimal profit margin of one-fourth of a percentage point. The bank prefers using cost-plus loan pricing in this cases. What loan rate would it charge? Besides, what is break-even point and interest cost? (15 marks)

- b) Discuss the differences between debt securities and equity securities. (10 marks)

(Total: 25 marks)

Continued...

Question 3

a) The directors of RHB bank is very anxious on the level of their bank competitiveness as newer banks surge in the market and change in bank legislations that allows financial institutions to offer variety of banking products. As a manager you are required to evaluate the performance and the prospect of RHB Bank based on the following ratios:

RHB Bank	
Financial Position	
Assets	
Cash and due from banks	RM 175
Investments	RM 400
Federal Funds	RM 18
Loan	RM 402
Premises	RM 105
Average Total Assets	RM1,100
Liabilities and Equity	
Demand Deposits	RM 150
Time Deposits	RM 325
Federal funds	RM 425
Equity	RM 200
	RM
Average Total Liabilities and Equity	1,100
Income Statement	
Interest Income	RM 250
Interest Expense	RM 210
Non-Interest Income	RM 11
Non-Interest Expense	RM 38
Net Income	RM 13

- i) Return on Equity (3 marks)
- ii) Net Interest Margin (3 marks)
- iii) Earnings Base (3 marks)
- iv) Burden (3 marks)
- v) Efficiency Ratio (3 marks)

b) According to BBC news dated 24 Jun 2016 "The pound has fallen to levels not seen since 1985 following the UK's referendum vote to leave the EU". Discuss the main factors attributed the falling of pound AND role of Bank of England. (10 marks)

(Total: 25 marks)

Continued...

Question 4

a) You are currently evaluating some of the commercial loan requests of the credit sections of your bank. Explain how the following situations define the character of the borrower and quality of information provided?

- i) There is a growing trend of customer complaints to the business bureau of complaints. (4 marks)
- ii) There is strong family connection and several members of the family work for the business. (4 marks)
- iii) The use of significant off balance sheet entities and intercompany partnership. (4 marks)

b) Discuss the success factors attribute to Malaysia as one of the largest Islamic Banking Hub. (13 marks)

(Total: 25 marks)

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